

**UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON APPROPRIATIONS  
SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE, AND THE JUDICIARY**

**STATEMENT OF WILLIAM WOLF  
PRESIDENT, MOTION SYSTEMS CORPORATION**

Chairman Wolf, members of the Subcommittee, I am William Wolf, president of Motion Systems Corporation, of Eatontown, New Jersey. I thank you for giving me the opportunity to relate my very disappointing experience as the first petitioner to bring a case under the China-specific safeguard known as Section 421. I am also submitting a written statement, so I will keep my comments brief.

Our company, Motion Systems, makes electromechanical linear actuators, and pedestal actuators. This last product was the focus of the Section 421 case. Our largest customer used pedestal actuators in its mobility scooters. In 2001, they switched from our company to a Chinese supplier, who had copied our product, then sold it for about one-quarter our price. The attached chart shows that our production of pedestal actuators declined by two-thirds as Chinese imports surged into the United States. In response to this surge, I filed the first Section 421 petition in August 2002. After investigation, the International Trade Commission concluded that imports of pedestal actuators from China were causing market disruption and recommended that quotas be imposed. Unfortunately for my industry, the President did not agree.

**The President's Decision**

The President denied relief, in part, on the presumption that our former customer would incur increased cost if he had to switch from low-priced Chinese copies. Section 421 is expressly intended to address surges in cut-rate Chinese imports. The possibility that a U.S. purchaser of such Chinese imports would incur some increased cost will almost always be the

case. But, to deny relief on that basis would be a prescription for denying relief in every Section 421 case. That cannot be what Congress intended.

The President also appears to have relied upon an allegation by the U.S. importer that increased costs would be transferred to the ultimate consumer. At the USTR hearing, the U.S. importer alleged that cost savings achieved through the Chinese imports had been passed on to consumers, and that by imposing relief, consumers would face cost increases in the future. These claims were never verified by USTR and I believe that USTR's fact-gathering and information verification process in Section 421 proceedings is seriously flawed.

We presented documentary evidence to USTR showing that the U.S. importer did not lower its price upon switching to cheap Chinese imports. Why then would it necessarily increase prices to consumers if it switched back to American-made parts? Government documents first obtained after the USTR hearing and the President's decision show that the U.S. importer's prices its largest customer, the Veteran's Administration, remained the same after its switch to Chinese imports. Allowing Section 421 cases to be decided based upon the unsworn, undocumented, self-serving testimony of importers grants them a virtual veto over relief.

#### Chinese Lobbying

I would also like to comment on how the Chinese government addressed this case. An intense lobbying campaign was launched to thwart relief to my industry. Press accounts, attached to my written statement, reported that this effort reached the highest levels of the Administration and resonated in the President's decision-making process. To say that I am dumbfounded by the Administration giving credence to the viewpoints of the Chinese government over the recommendations of the International Trade Commission and contrary to the will of Congress would be an understatement.

## Conclusion

In conclusion, I hope my comments will be useful and that you will act to invigorate Section 421 to see that it becomes the important and effective trade remedy it should be. Please do not let Section 421 wither on the vine.

I am happy to answer any questions.